

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997 :

Docket No. R97-1

**PARCEL SHIPPERS ASSOCIATION
MOTION TO COMPEL
RESPONSE TO INTERROGATORY PSA/USPS-T37-10(a) and (b)
TO USPS WITNESS VIRGINIA J. MAYES**

Parcel Shippers Association ("PSA") files this Motion to Compel in response to the USPS Objection to Interrogatory PSA/USPS-T37-10(a) and (b), filed September 29, 1997. The text of the interrogatory in question follows:

PSA/USPS-T37-10. Your Response to PSA/USPS-T37-8 states that the Test Year Alaska non-preferential air costs are \$106,437,000.00 both before and after-rates.

(a) Would it be correct, in order to replicate the Commission-approved treatment of these Alaska non-preferential air costs, to subtract \$106,437,000.00 from the total parcel post costs as shown in the Test Year after-rates costs in witness Patelunas' testimony? If the response is anything other than an unqualified affirmative, please explain any qualification.

(b) Based on your response to this interrogatory, and your response to POIR 1(a) (2), that the calculation of the TYAR cost coverage, as shown at page 3 of WPI.I.C., uses as its base the total TYAR costs for Parcel Post with contingency, including intra-Alaska non-preferential air costs, please calculate and supply the TYAR cost coverage for parcel post after subtracting the \$106,437,000.00 of Alaska non-preferential air costs?

This question asks witness Mayes to confirm whether it would be correct to replicate Commission-approved treatment of Alaska non-preferential air costs by subtracting those costs from the Test Year after-rates costs presented in the Postal Service's filed testimony; part (b) requests the Postal Service to provide the TYAR cost coverage for parcel post after subtracting the Alaska non-preferential air costs that, in accordance with previous Commission decisions, were deemed to be institutional costs and not properly attributable to parcel post.

The Postal Service objects to the question maintaining that neither the letter nor the spirit of Rule 54(a)(1) dealing with alternate cost presentations of the Commission's costing methodology requires that it make such calculations. The Postal Service pleads as support for its position the extensive motion practice it engaged in in order to avoid faithful compliance with Rule 54(a)(1). In ruling on several of those motions the Commission found that the Postal Service had "exhibited a tone which reflects an effort to conduct this case in a cooperative, rather than adversarial manner,"¹ a finding contradicted by the Postal Service's months long refusal to supply a relatively simple and uncomplicated piece of information which they alone possess: the Test Year nonpriority Alaskan air costs which the Postal Rate Commission has previously deemed to be nonattributable to parcel post. The Postal Service knows the number; it would require no massive involvement of people or computers to provide it. It is simply a case of the Postal Service exhibiting a staunch adversarial posture.

The Postal Service also maintains that the answers that it has supplied do not mean what they seem to mean. PSA first asked witness Mayes to supply the total amount of Alaska non-preferential air costs that are shown as a part of the TYBR and TYAR costs for parcel post. Witness Mayes responded (PSA/USPS-T37-8) by stating that witness Hatfield's filed testimony "reports Test Year Alaska non-pref air costs of \$106,437(000)." She further stated that it was her understanding that those were the Test Year Before Rates costs. To the request that she also supply TYAR costs she responded simply by saying that it was her further "understanding that there is no separate TYAR or TYBR distribution key in the rollforward model for Alaska non-pref air costs, so the TYAR share of total Domestic Airmail costs that is Alaska non-pref is the same as the TYBR share, which in turn comes from the base year share."² PSA took this to mean that there was no difference between the Before and After-Rates costs. But the USPS objection denies that witness Mayes stated that Test Year Alaska non-pref air costs were the same "both before and after rates." If that is not the meaning of what witness Mayes stated in the quoted language, then we confess we do not know what it means; moreover, if it is not the meaning of witness Mayes' response, then her answer was nonresponsive because she was supposed to supply the Test

¹ Footnote 3 of the Presiding Officer's Ruling No. R97-1/8. The Commission also found that the provision of a table of relative mark ups reflecting then available cost information "... should have provided effective notice to participants that the new cost attribution methods proposed by the Postal Service in this case could significantly impact the rates recommended by the Commission and further should have provided some indication of how those proposed methods might impact on specific subclasses of mail." Whether that is true or not in the case of the impact of "new cost attribution methods," the Postal Service's attribution of the Alaska non-pref costs is not new; moreover, because of the overall impact of other cost attribution changes in this case, the indices provided does not isolate the effect of attribution of non-pref Alaska air costs so as to provide any true measure of the impact of that attribution on parcel post.

² Does anyone know what that actually means?

Year After-Rates costs as well as Test Year Before-Rates costs. At best the answer is an obfuscation that prevents the discovery of admissible and relevant evidence.

This controversy is unrelated to the other issues in this case arising out of the Postal Service's new costing methodologies. Rather, this is simply the obstinate refusal of the Postal Service to acquiesce in repeated rulings of the Postal Rate Commission that these Alaska air costs are not to be attributed to parcel post. It is more than an annoyance that the parties, as well as the Commission, are put to the trouble of trying to decipher from a mountain of data the concealed Alaska air costs that are not to be attributed.

The appropriate cost coverage for parcel post is very much an issue in this proceeding, as it always has been, because of the extreme price sensitivity of parcel post. The attribution of more than \$100 million of costs improperly to parcel post utterly distorts the reported cost coverages and deflects the attention of the parties and the Commission from a true focus on what actual cost coverage is being proposed by the Postal Service. In the end, presumably the Commission itself will obtain the requisite information from the Postal Service that it needs in order to replicate its own methodology for the allocation of Alaska non-pref air costs. However, it is to be regretted that the time and resources of the parties and the Commission are consumed by the stubborn refusal of the Postal Service to accept a repeated Commission decision. The Postal Service offers no new arguments; no new facts as to why the non-pref Alaska air costs should be treated by this Commission differently than it has since 1990. The Commission's recent ruling, Order No. 1197, makes clear that PRC rules require the Postal Service to respond to the questions presented and this Commission should not dispense it from that obligation in this case.

We therefore move to compel response to the subject interrogatories.

Respectfully submitted,



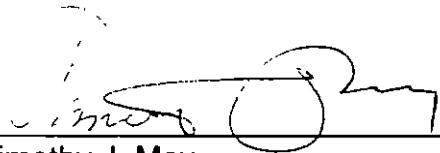
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Counsel for Parcel Shippers Association

Dated: October 3, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



Timothy J. May

Dated: October 3, 1997